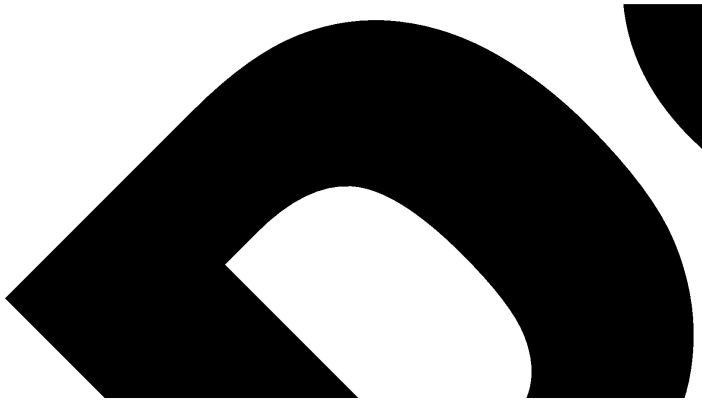
Approved For Release
2009/10/06 :
CIA-RDP85T00875R00160001



Approved For Release
2009/10/06 :
CIA-RDP85T00875R00160001

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

68-153

Secret

Doc/SER

DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Economic Provisions of the Agreement to Station Soviet Troops in Czechoslovakia

Secret

ER IM 68-153
December 1968

Copy No. 66

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1
Excluded from automatic downgrading and declassification

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

SECRET

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
December 1968

INTELLIGENCE MEMORANDUM

Economic Provisions of the Agreement to Station Soviet Troops in Czechoslovakia

Summary

The agreement under which a Soviet garrison will be stationed "temporarily" in Czechoslovakia provides for Soviet repayment of the local currency costs of the garrison. No such provision was made in the published texts of status-of-forces agreements earlier negotiated with East Germany, Hungary, and Poland. But the Czech-Soviet agreement probably follows precedents laid down in Soviet dealings with these countries. According to the agreement, Czechoslovakia will be credited on the foreign trade account for goods and services provided to Soviet forces -- including fuels, construction materials, foodstuffs, transportation, and housing. Analysis of trade, service, and credit transactions between the USSR and East Germany, Hungary, and Poland suggests that Soviet counter-deliveries of goods have covered most of the cost of goods and services furnished to the Soviet forces in those countries. Czechoslovakia can apparently expect the same treatment. The specific terms, which remain to be worked out later this year, may not be entirely satisfactory to the Czechs, but the economic burden of the Soviet garrison on Czechoslovakia will be slight.*

25X1

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research and was coordinated with the Office of Strategic Research.

SECRET

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

Provisions of the Agreement

1. The status-of-forces agreement between Czechoslovakia and the USSR -- signed on 16 October 1968 and ratified by both countries on 18 October 1968 -- calls for the "temporary" stationing of Soviet troops on Czechoslovak territory "to insure the security of the countries of the socialist community against increasing revanchist strivings of the West German militarist forces." The agreement states (in Article III) that the USSR shall bear the maintenance costs of Soviet troops stationed in Czechoslovakia. Moreover, it states in general terms (in Articles III and VI through VIII) what sort of goods and services Czechoslovakia is to provide for the Soviet garrison and how the USSR is to pay for them.

2. These provisions offer the first explicit statement of how local currency costs of Soviet garrisons in Eastern Europe are handled. Balance-of-payments analysis has indicated that the USSR pays these costs in East Germany, Hungary, and Poland. But the only solid piece of direct evidence has been an announcement by East Germany that beginning in 1959 the USSR would pay the local currency costs of the Soviet garrison in that country. There has been almost no information on how Soviet payments are handled.

3. As could be expected, Czechoslovakia is to provide the Soviet garrison with foodstuffs, fuels, and other manufactures; with services, including barracks accommodations, housing, the use of military facilities, and transport and communications services; and with merchandise for the Soviet post exchanges -- "voyentorg" shops. The same range of goods and services is known to have been provided to Soviet forces in East Germany. The USSR will pay for these goods through supplementary export deliveries. Procedures for determining how much the USSR will pay, which are laid down in general terms in the agreement, vary according to the kind of commodity involved.

4. Deliveries to the Soviet command of foodstuffs and other goods -- which doubtless will include coal, petroleum products, cement, and metal products, as in East Germany -- are to be cleared through the regular foreign trade organizations of the two countries. Czechoslovakia will be credited at prices prevailing in normal trade with the USSR.

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

5. Accounts for services are to be kept in terms of local currency, and then -- on some unspecified basis -- credited on the foreign trade accounts. Specific terms will soon be negotiated. For some of the services (notably electric power and freight transport), agreed foreign trade prices already exist. But the rent of barracks, housing, and military facilities will have to be credited on some other basis for which there is doubtless a precedent.

6. Czech trade organizations will deliver merchandise for the Soviet post exchanges at wholesale prices (retail prices less retail trade markups). The amounts in Czech crowns will be converted to rubles and credited on the foreign trade account at a rate representing a weighted average between the delivery prices for a selection of such articles and prices in trade with the USSR (or other Soviet-Eastern European trade).

Probable Value of Goods and Services to be Provided

7. On the basis of analogy with East Germany, Hungary, and Poland, the goods and services provided to the Soviet garrison in Czechoslovakia would amount to between 400 and 500 rubles per man per year, valued at Soviet-Eastern European foreign trade prices -- or roughly $500 (1 foreign trade ruble equals $1.11). Given the present estimate of the size of the garrison -- about 40,000 men -- the total amount would thus be about $20 million a year.

8. The estimates for the other three countries where Soviet troops are stationed are based on analysis of their balance-of-payments accounts with the USSR over a period of years -- from the conclusion of the status-of-forces agreements through 1966 (in the case of East Germany, through 1965).* Analysis of commodity trade, service transactions (chiefly transportation), and credit agreements for that period shows unexplained debits on current account, which imply that some credit entry is not shown. Estimates of the Soviet balance of payments with the other Eastern European countries -- and of their own balances with one another -- show no significant cumulative imbalances.

25X1

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

9. The imbalances on current account over the period are in proportion to the size of the Soviet garrisons in the three countries. In East Germany, where the number of Soviet troops was placed at about 300,000, the annual deficit averaged about $137 million for the period 1959-65; Hungary, with 55,000 Soviet troops on its territory, ran an average annual deficit of about $30 million for the period 1957-66; and Poland, with about 30,000 Soviet troops, ran an average annual deficit of about $24 million for the period 1957-66.

10. The Polish, Hungarian, and East German deficits are also of the right magnitude to represent local currency expenditures for the maintenance -- largely living expenditures -- of the Soviet troops. The current living expenses of Soviet troops stationed in Eastern Europe are probably comparable to those of relatively low-income Eastern Europeans. Polish and Hungarian budget surveys show that per capita expenditures in the lowest family income groups are equivalent to about $300 to $400 a year. With per capita expenses of this amount, the annual cost of maintaining Soviet forces in East Germany would amount to between $90 million and $120 million; in Hungary, between $16 million and $22 million; and in Poland, between $9 million and $12 million. These costs are comparable to the calculated average annual deficits of $137 million, $30 million, and $24 million, respectively.

Economic Burden on Czechoslovakia

11. If the analogy with the other Eastern European countries is valid, the economic burden of supplying the Soviet garrison in Czechoslovakia should be very small. Payment for some of the services provided -- the rental of barracks, housing, and military facilities -- may well be inadequate, however, because rents are subsidized. If Czechoslovakia has to undertake new construction -- whether directly for the Soviet forces or indirectly to replace facilities turned over to them -- other construction programs might have to give a little. In this connection the Czechoslovak army command has already asked for 2,600 new apartments by 1971 for professional soldiers who have lost their quarters to the new Soviet garrison. These will have to be

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6

built at the expense of civilian housing. Otherwise, the economy can easily adjust to providing the goods and services needed by the Soviet garrison, and the Soviet counter-deliveries probably will represent a fair repayment for them.

Approved For Release 2009/10/06 : CIA-RDP85T00875R001600010103-6